



State of Washington  
Department of Revenue

# Excise Tax Advisory

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Excise Tax Advisories (ETA) are interpretive statements issued by the Department of Revenue under authority of RCW 34.05.230. ETAs explain the Department's policy regarding how tax law applies to a specific issue or specific set of facts. They are advisory for taxpayers; however, the Department is bound by these advisories until superseded by Court action, Legislative action, rule adoption, or an amendment to or cancellation of the ETA.

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NUMBER: 350.04.190

CONVERSION DATE: July 1, 1998

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**This ETA was cancelled effective February 7, 2005, and is no longer in effect**

## BUSINESS AND OCCUPATION TAX--MEDICAL SERVICE ASSOCIATIONS

Issued June 5, 1970

Is a medical association liable for the business and occupation tax under the Service and Other Activities category for amounts received as reimbursements for costs of administering the Medicare program?

The taxpayer contended nonliability for reimbursements received from the Washington Physicians Service for costs of administering the Medicare program locally. The taxpayer's rationale was based on two assertions: (1) the tax was not due because the service association acts merely as an intermediary agent for the federal government; and (2) the activity does not fall within Rule 233 which covers the excise tax liability for medical service bureaus and associations.

The department held the taxpayer is liable for the business and occupation tax. First, he falls within Rule 190 which places business and occupation tax liability upon one who contracts directly, or one who subcontracts with a private company holding a prime contract, with the federal government. Second, the taxpayer falls squarely within Rule 233. This rule provides that medical service bureaus are subject to the business and occupation tax under the Service and Other Activities category.

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***ETBS have been made Excise Tax Advisories, and have retained their old number. Advisories with a 2 (plus three digits) are new advisories, ETBs that have been revised and readopted after review under the Department's regulatory improvement program, or advisories that have been revised and/or readopted.***

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